

4 FAM 230

ACCRUAL ACCOUNTING REQUIREMENTS

(CT:FIN-420; 04-19-2013)
(Office of Origin: CGFS/FPRA/FP)

4 FAM 231 DEPARTMENT FINANCIAL MANAGEMENT SYSTEMS

(CT:FIN-407; 08-23-2010)

The Department financial management system is required to employ accrual accounting concepts under Public Law 84-863 (31 U.S.C. 3512(d)). The accrual accounting requirements in 4 FAM 030 are applicable to all organizational units and programs administered by the Department, including general and special funds, revolving funds, trust funds, and deposit funds.

4 FAM 231.1 Accrual Accounting Concept

(CT:FIN-407; 08-23-2010)

- a. Under the accrual accounting concept, income and expenses of operations are allocated to the accounting periods in which they apply, regardless of when revenue is received; expenses are incurred; or payments are made. All Department bureaus and offices and all posts must maintain:
 - (1) Documentation to support advances issued;
 - (2) Accounts receivable and payable records; and
 - (3) Supporting files to control amounts due and creditable to appropriations, receipt accounts, and/or other fund accounts for the Department, serviced agencies, and authorized organizations, with allotted or operating allowance funds.
- b. A system of general ledger and subsidiary accounts must be maintained by the Department for assets, liabilities, investments of the U.S. Government, revenues, and costs. Accounts must be reconciled and differences investigated. Officers responsible for managing and obligating funds must maintain account records in accordance with the requirements in this subchapter.

4 FAM 232 ACCOUNTING FOR ACCOUNTS RECEIVABLE, ADVANCES, AND PREPAYMENTS

(CT:FIN-420; 04-19-2013)

- a. The accrual concept allows the Department to match revenues and expenses properly with the appropriate accounting period. The most common types of assets requiring the application of the accrual concept include:
 - (1) Accounts receivable;
 - (2) Advances and prepayments; and
 - (3) Inventories.
- b. Consistent with the Federal Financial Accounting Standards defining each class of asset, each allotment and operating allowance holder is responsible for accurately identifying accruals when the accrual is not centrally managed by the Global Financial *Operations Directorate* (CGFS/F) and to maintain them in accordance with this section and the procedures identified in 4 FAM 030.

4 FAM 232.1 Accounts Receivable

(CT:FIN-407; 08-23-2010)

- a. Accounts receivables are recorded and treated as assets until the amounts are:
 - (1) Collected;
 - (2) Determined to be uncollectible; or
 - (3) Offset by costs of goods and services received.
- b. An accounts receivable is a transaction that represents a debt due to the U.S. Government for goods and services that have not been received. Account receivable definitions and accounting requirements are identified at 4 FAM 030.2.

4 FAM 232.1-1 Accounting for Accounts Receivable

(CT:FIN-420; 04-19-2013)

- a. In most cases, the accounts receivable to be recorded and reported will be credited to the appropriation and allotment, operating allowance, or project from which the original payment was made. However, this not universally true and the required coding may be impacted by the type of accounts receivable collected (see 4 FAH-3 H-320 regarding the coding of collections).
- b. The financial management officers in domestic bureaus and offices are responsible for ensuring that *their* financial management staffs forward all accounts receivables to CGFS/F Accounts Receivable *in* Charleston. This is the central location for recording all domestic receivables in the Department's general ledger.

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- c. The financial management officer (FMO) at posts abroad must ensure that the financial management staff maintains subsidiary ledgers for the receivables accurately in accordance with procedures documented in 4 FAM 030. Such subsidiary ledgers may be manual or automated depending on post capabilities and requirements. However, at a minimum, the records must reflect the name of the person or organization owing money, the date the receivable was established, the amount owed and the associated appropriation, allotment, operating allowance, or project.

NOTE: Repatriation loans are loan receivables and special procedures apply to these loans when processed by an overseas post—(see 4 FAM 232.2).

4 FAM 232.1-2 Timely Booking of Accounts Receivable

(CT:FIN-407; 08-23-2010)

Immediately upon determination that a receivable is due, the amount of the receivable (regardless of location) is established in the applicable subsidiary ledgers in accordance with 4 FAM 232.1-2.

4 FAM 232.1-3 Accounts Receivable Records at Posts

(CT:FIN-407; 08-23-2010)

- a. Maintain records for accounts receivable at the appropriation and allotment/operating allowance/project level. The financial management staff must record these records accurately and promptly when the amounts due have been determined. In addition, receivables from Federal entities must be clearly identified and separated from non-Federal receivables.
- b. When account records are not fully automated in a post feeder system or RFMS, the post financial management personnel, under the direction of a financial management officer (FMO) or the responsible individual must maintain subsidiary ledgers in accordance with the requirements in 4 FAM 230. These subsidiary ledgers must be reviewed monthly. In addition, each post FMO or responsible individual must ensure that a status of subsidiary information can be prepared in a timely manner if requested by the Department or a serviced agency under an ICASS agreement or existing memorandum of understanding (MOU).

4 FAM 232.1-4 Accounts Receivable Files Supporting Post Records/Ledger

(CT:FIN-407; 08-23-2010)

Establish document files supporting outstanding receivables by name, account, or case number for each individual advance or other amount due from employees, U.S. Government agencies, commercial accounts, and others. The post must date

the accounts receivable records and ensure that collection and write-off action are initiated and maintained in accordance with 4 FAM 490.

4 FAM 232.1-5 Accounts Receivable Control Documents Maintained by Posts

(CT:FIN-407; 08-23-2010)

Maintain a control document or register to reflect categories of receivables at each post or responsible office. The document or register is necessary for maintaining summary accounting controls over the individual class of receivable accounts (e.g., quarters allowances, travel advances, commercial accounts, etc.). However, where the number of receivable accounts is small, maintain one overall control register.

4 FAM 232.1-6 Location of Post-Receivable Records

(CT:FIN-407; 08-23-2010)

The post or allotment holder maintains accounts receivable records whose funds are involved, or by the responsible accounting office or post that maintains the accounts, and provides fiscal servicing. The responsible allotment holder (e.g., FMO) collects amounts owed by employees who are transferring from post before the employee departs.

4 FAM 232.1-7 When a Post Employee Transfers to Another Post Prior to Collection of Receivable

(CT:FIN-407; 08-23-2010)

- a. When the employee is transferred, records of employee accounts receivable are usually retained by the responsible accounting office to ensure that the receivable is recovered. When an employee transfers to another location prior to collection, and it is impractical to continue the collection process where the accounts receivable occurred, the responsible allotment holder may elect to transfer responsibility for the collection to the receiving post. However, if the receivable is not recovered, the original allotment holder is responsible for the funds.
- b. If a request for collection is forwarded, the request must contain the name and other identification of the debtor, category of receivable, appropriation or fund and allotment, and the amount due. An employee who is responsible for receiving monies due the U.S. Government should not maintain accounts receivable records and ledgers.

4 FAM 232.1-8 Receivables Held/Transferred to Other Offices

(CT:FIN-420; 04-19-2013)

Collection actions for receivables maintained at *CGFS* Charleston are handled by the Accounts Receivable *staff in CGFS/F*. When post-managed collection efforts are no longer practical at the point where the accounts receivable occurred (see 4 FAM 232.1-6 and 4 FAM 232.1-7), the allotment holder or FMO should transfer the receivable to *CGFS/F* Accounts Receivable in Charleston for additional collection actions. Procedures to transfer significantly past due accounts receivable from the subsidiary ledgers of the responsible allotment or operating allowance holder to *CGFS/F* are identified in 4 FAM 490.

4 FAM 232.2 Credit Reform and Repatriation Loans

(CT:FIN-420; 04-19-2013)

Credit reform legislation and the centralized management of repatriation loans require these account receivables to be handled differently than other receivables. While the loans are made at post, all documentation and responsibility for the loans are immediately transferred to *CGFS/F* to track and collect. *CGFS* personnel have the responsibility to manage the receivables in accordance with 4 *FAM* 448, 4 FAM 490, 4 FAM 030, and the credit reform legislation.

4 FAM 232.3 Advances and Prepayments

(CT:FIN-407; 08-23-2010)

- a. Like accounts receivable, the accrual concept must be applied to advances and prepayments. Advances and prepayments are defined at 4 FAM 033.5, and these assets should not be netted against advances and prepayments extended to the Department, since the latter are liabilities the Department must repay (see 4 FAM 033.5-3).
- b. More detail procedures for identifying and tracking advances and prepayments and for reporting outstanding balances of such advances are identified at 4 FAM 033.5-1.

4 FAM 232.3-1 Washington-Funded Travel Advances

(CT:FIN-407; 08-23-2010)

- a. Advances for worldwide international assignment travel and for authorized TDY under stateside allotments or operating allowances are recorded and reported under the same fiscal data as the travel obligation. Except for medical evacuation travel, use post allotments to record travel advances and return of advances for TDY that begins and ends at the post.
- b. All medical travel is funded by the Office of Medical Services (MED). Financial management staff should handle medical evacuation travel in accordance with

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the provision in 16 FAM 300. (See also 14 FAM 523.2-1, 14 FAM 534, and 3 FAM 3700 for authorities and provisions related to medical travel.)

4 FAM 232.3-2 Advances for Grants

(CT:FIN-407; 08-23-2010)

Generally, payments to grantees and other recipients of financial assistance are recorded as expenses at the time of payment. Exceptions that would require the recognition of an advance are set forth in 4 FAM 033.5-1.

4 FAM 233 ACCOUNTING FOR INVENTORY AND PROPERTY, PLANT, AND EQUIPMENT (PP&E)

(CT:FIN-407; 08-23-2010)

- a. Allotment and operating allowance holders who use Department funds for inventory or property, plant, and equipment (PP&E) must maintain inventory and property records in accordance with 4 FAM 033.7 and 4 FAM 033.8.
- b. At least annually, or more frequently if requested by the Department, all domestic and post locations must report the dollar value of nonexpendable PP&E at the close of an accounting period (e.g., end of the fiscal year or as of a date specified by the Department). The classifications, tracking requirements, and values reported should be consistent with the definitions and property classifications identified in 4 FAM 731 through 4 FAM 736.
- c. The amount reported by the post or allotment holder must be consistent with automated property accounting systems such as the Logistics Reengineering Application (LRA), Technical Security Countermeasures (TSCM), and the Integrated Logistics Management System (ILMS).

4 FAM 234 ASSETS SPECIFICALLY EXCLUDED FROM PROCEDURES AND REQUIREMENTS IN THIS SUBCHAPTER

(CT:FIN-407; 08-23-2010)

The following assets are not treated as accounts receivables, advances, inventory, and prepaid assets under the provisions in this subchapter because they are subject to other controls:

- (1) Uncollected accommodation exchange checks (see 4 FAH-3 H-360);
- (2) Subscriptions, which are treated as current operating costs;
- (3) Container deposits for bottled water, bottled gas, petroleum drums, etc., which are treated as current operating costs, due to their rapid turnover

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(and when repaid are credited as refunds to the current year appropriation and allotment/operating allowance);

- (4) Prepaid third-party auto insurance, which is treated as current operating expense; and
- (5) Nonofficial services and supplies furnished to employees at out-of-the-way locations.

4 FAM 235 ACCOUNTING FOR LIABILITIES

(CT:FIN-407; 08-23-2010)

- a. Under accrual basis accounting, amounts owed to an individual, company, organization, U.S. Government agency, etc., for the unpaid value of goods and services received and accepted are liabilities that must be accurately reflected by the officer responsible for the funds. Other requirements to properly reflect accrued liabilities are identified at 4 FAM 034.
- b. Domestic allotment holders in the regional and functional bureaus must ensure all invoices against domestic obligations are processed in a timely manner. Timely processing of invoices improves the accuracy of accrual estimates for quarterly and annual reporting.
- c. Post allotment holders must process invoices in a timely manner and maintain subsidiary information for various types of payables and liabilities in accordance with requirements in 4 FAM 034. Examples of the most common payables and liabilities at post locations include:
 - (1) Accounts payable;
 - (2) Rents and leaseholds;
 - (3) Communication and utilities;
 - (4) Purchase orders and contracts for goods and services;
 - (5) Petty cash purchases;
 - (6) Semiannual orders (requisitions);
 - (7) Transportation of things (not under travel authorizations);
 - (8) Legally approved tort claims;
 - (9) Salary, wages, and benefits (earned but unpaid);
 - (10) Severance pay (owed but unpaid);
 - (11) Travel and transportation under travel authorizations; and
 - (12) Other miscellaneous services such as official residence expense, representation, and third-party automobile insurance.
- d. Allotment holders in overseas locations using the Regional Financial

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Management System (RFMS) must populate invoice dates when processing payments to ensure proper estimating of quarterly and annual accruals.

4 FAM 236 ACCOUNTING FOR PROMPT PAY INTEREST CHARGES

(CT:FIN-420; 04-19-2013)

- a. Prompt pay interest charges, for payments both domestically and abroad, are added to the certified amounts on the submitted vouchers and charged to the budget of the obligation being liquidated (see 4 FAM 420). All individuals responsible for funds management should be aware of the prompt payment charges that are associated with late payment processing, since these charges reduce available funds for other purposes and must be annually reported to the Office of Management and Budget (OMB).
- b. The Office of Oversight and Management Analysis Directorate (*CGFS/OMA*) regularly performs internal reviews of prompt payment interest charges and prepares monthly statistical reports for each bureau showing prompt payment interest charges paid and forwards that information to OMB. *CGFS/OMA* publishes an annual report on Prompt Payment Act Compliance for the Department.
- c. As part of the monthly review of prompt payment interest charges, *CGFS/OMA* prepares internal Department reports for bureaus and posts that reflect the cost this expense has on Department resources.

4 FAM 237 RECONCILIATION AND REPORTING ON BALANCES IN SUBSIDIARY LEDGERS

(CT:FIN-420; 04-19-2013)

- a. The system of general ledger and subsidiary accounts must be up-to-date and consistently maintained for assets, liabilities, investments of the U.S. Government, revenues, and costs. Accounts must be reconciled and differences investigated according to the following schedule:
 - (1) Produce general ledger trial balances at least at the end of each monthly accounting period. Both internal and external reports are based on the accounting period;
 - (2) Reconcile subsidiary ledger cost accounts with the general ledger control accounts at the close of each accounting period; and
 - (3) Reconcile subsidiary ledgers for property and current asset inventories to general ledger controls at least at the end of each fiscal year, and at intervals when physical inventories are taken. Also, reconcile subsidiary

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ledgers for assets and liabilities other than property and current asset inventories, to general ledger controls at the end of each accounting period.

- b. To assist with the requirement to maintain accurate ledger balances and obligation totals, *CGFS* Charleston and *CGFS* Bangkok provide post allotment holders with a quarterly list of unliquidated obligations (ULOs).
- c. Financial management officers and staff at the bureau and post levels will be responsible for reviewing documents supporting ULOs with the financial management and accounting system on a monthly basis (including the end of each fiscal year). As part of the year-end closing process, each allotment holder will provide a yearly certification of ULO balances in accordance with 4 FAM 278. Additional reporting on the validity of ULOs may be required during the fiscal year.
- d. If requested by the Global Financial Operations Directorate (*CGFS/F*), allotment holders must be in a position to provide timely and accurate updates of assets, liabilities, investments, and other transaction information to meet requirements in paragraph a of this section. All bureau and post financial records and subsidiary ledgers required by 4 FAM 230 must be reviewed and reconciled at least monthly.

4 FAM 238 REQUESTS FOR FINANCIAL AUDIT INFORMATION AND DOCUMENTATION

(CT:FIN-420; 04-19-2013)

All responsible allotment holders (e.g., FMOs) must prepare timely responses to *CGFS* requests for accounting information and documentation related to *CGFS* business in general as well as independent auditor tests of financial transactions. Submitted documentation must be accurate, reviewed for completeness, and submitted within the requested timeframes. If the responsible officer or FMO cannot identify the needed documentation, it should contact the requesting *CGFS* office to document the circumstance.

4 FAM 239 UNASSIGNED